

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT OF THE HICKMAN COUNTY SHERIFF

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Hickman County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$7,989 from the prior year, resulting in excess fees of \$9,364 as of December 31, 2014. Receipts increased by \$16,675 from the prior year and disbursements increased by \$8,686.

Report Comments:

- 2014-001 The Hickman County Sheriff Had \$2,456 Of Disallowed Disbursements From The 2014 Fee Account
- 2014-002 The Hickman County Sheriff Had \$2,577 In Questionable Disbursements From The 2014 Fee Account
- 2014-003 The Hickman County Sheriff Had \$674 Of Disallowed Disbursements From The Drug Fund
- 2014-004 The Hickman County Sheriff Overspent His Approved Budget
- 2014-005 The Hickman County Sheriff Failed To Maintain Adequate Accounting Records For The Drug Fund
- 2014-006 The Hickman County Sheriff Deputies Did Not Maintain Proper Documentation Of Hours Worked
- 2014-007 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-008 The Hickman County Sheriff Signed Blank Checks Prior To Purchases
- 2014-009 The Hickman County Sheriff Had Weak Controls Over His Signature Stamp
- 2014-010 The Hickman County Sheriff Had Weak Internal Controls Over Office Assets

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Sheriff of Hickman County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of the Hickman County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hickman County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Hickman County Sheriff Had \$2,456 Of Disallowed Disbursements From The 2014 Fee Account
- 2014-002 The Hickman County Sheriff Had \$2,577 In Questionable Disbursements From The 2014 Fee Account
- 2014-003 The Hickman County Sheriff Had \$674 Of Disallowed Disbursements From The Drug Fund
- 2014-004 The Hickman County Sheriff Overspent His Approved Budget
- 2014-005 The Hickman County Sheriff Failed To Maintain Adequate Accounting Records For The Drug Fund
- 2014-006 The Hickman County Sheriff Deputies Did Not Maintain Proper Documentation Of Hours Worked
- 2014-007 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties
- 2014-008 The Hickman County Sheriff Signed Blank Checks Prior To Purchases
- 2014-009 The Hickman County Sheriff Had Weak Controls Over His Signature Stamp
- 2014-010 The Hickman County Sheriff Had Weak Internal Controls Over Office Assets

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 23, 2015

HICKMAN COUNTY
MARK GREEN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	7,339	
State Fees For Services			73,231
Circuit Court Clerk:			
Fines and Fees Collected			1,574
Fiscal Court			45,900
County Clerk - Delinquent Taxes			2,565
Commission On Taxes Collected			95,009
Fees Collected For Services:			
Auto Inspections	\$	1,935	
Accident and Police Reports		126	
Serving Papers		4,890	
Carrying Concealed Deadly Weapon Permits		1,950	8,901
Other:			
Add-On Fees		10,385	
Child Support Enforcement		110	
Mental Patients		420	
Fugitive Transport		300	
Election Commissioners		150	
Miscellaneous		1,134	12,499
Interest Earned			9
Borrowed Money:			
State Advancement			30,000
Total Receipts			277,027

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 38,228
Courthouse Security	57,812
KLEFPF	6,200
Contract Labor	100

Employee Benefits-

KLEFPF Retirement	1,133
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Contracted Services-

Advertising	110
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Materials and Supplies-

Office Materials and Supplies	2,877
Uniforms	4,391
Ammunition	282

Auto Expense-

Maintenance and Repairs	1,793
Mileage on County Vehicles	34,508
Mileage on Personal Vehicles	764
Maintenance and Repairs on Personal Vehicles	1,476

Other Charges-

Training	2,534
Dues	330
Postage	2,029
Telephone	9,316
Meals for Jurors	633
Tax Support and Maintenance	1,500
Internet/Cable	1,269
Miscellaneous	2,263

Capital Outlay-

Four-wheeler	<u>174</u>	\$ 169,722
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Debt Service:

State Advancement	<u>30,000</u>
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The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
MARK GREEN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Disbursements (Continued)

Total Disbursements	\$ 199,722
Less: Disallowed Disbursements	<u>2,456</u>
Total Allowable Disbursements	<u>\$ 197,266</u>
Net Receipts	79,761
Less: Statutory Maximum	<u>70,397</u>
Excess Fees Due County for 2014	9,364
Payment to Fiscal Court - February 6, 2015	<u>6,908</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 2,456</u>

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the Fiscal Court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the Fiscal Court at the time he files his final settlement with the Fiscal Court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

The Sheriff's contribution for calendar year 2012 was \$1,191, calendar year 2013 was \$1,195, and calendar year 2014 was \$1,133.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 3. Deposits

The Hickman County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Hickman County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Fund

The Hickman County Sheriff's Office maintains a Drug Fund. This fund is funded by court-ordered forfeitures of money and/or property. The funds are to be used for various law enforcement operations and equipment to fight against drug problems in Hickman County. As of January 1, 2014, the Drug Fund has a balance of \$95. During the year, funds of \$6,037 were received and \$5,876 was expended, leaving an ending balance of \$256.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kenny Wilson, Hickman County Judge/Executive
The Honorable Mark Green, Hickman County Sheriff
Members of the Hickman County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Hickman County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated November 23, 2015. The County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Hickman County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hickman County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hickman County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-007, 2014-008, 2014-009, and 2014-010 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006.

County Sheriff's Responses to Findings

The Hickman County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike Harmon', followed by a horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 23, 2015

COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

STATE LAWS AND REGULATIONS:

2014-001 The Hickman County Sheriff Had \$2,456 Of Disallowed Disbursements From The 2014 Fee Account

The Hickman County Sheriff had \$2,456 of disallowed disbursements from the Fee Account for calendar year 2014. These disbursements were disallowed for the following reasons:

- Disbursements totaling \$389 for internet at the Sheriff's house were considered personal in nature.
- Disbursements totaling \$348 for cable at the Sheriff's office were not considered necessary or beneficial to the public.
- Disbursements totaling \$743 for tires and oil changes on the Sheriff's personal vehicle were considered personal in nature.
- Disbursements totaling \$100 for a push broom, markers, a trowel, carpet adhesive, and plywood were considered personal in nature.
- Disbursements totaling \$871 were disallowed due to a lack of supporting documentation.
- Disbursements totaling \$5 in late fees were not considered necessary or beneficial to the public.

In Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Given the fact that these disbursements did not meet the necessary criteria, they have been disallowed.

Disallowed disbursements should be repaid with a deposit of personal funds. Therefore, we recommend the Hickman County Sheriff repay \$2,456 from his personal funds to the Hickman County Fiscal Court.

Sheriff's Response:

Disallowed Disbursements from Fee Account;

- INTERNET: The internet usage at my residence was used for work purposes only. I had a computer at my residence to do reports, check deputies reports, check sheriff office emails, send reports to KSP through KYOPS, which each are required to have wifi to work and complete.
- CABLE TELEVISION: I brought a television from my residence to the office. The cable that was put on in the office was the cheapest package we could get and was only used to watch training videos and stations involving weather, which was The Weather Station and News Ch. 6
- SHERIFF'S PERSONAL VEHICLE: I purchased a 2008 Tahoe to use as my sheriff's office vehicle. Emergency equipment was put on this vehicle and it was used daily for work purposes. I did this after I hired a part time deputy because there was not another vehicle to give him. The sheriff's office had 3 people that needed cruisers and we only had two cruisers. The county wasn't able to purchase a vehicle at this time so I did. The county purchased this vehicle from me sometime later in 2014.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-001 The Hickman County Sheriff Had \$2,456 Of Disallowed Disbursements From The 2014 Fee Account (Continued)

- PURCHASES FROM LOWES: *There was a purchase at Lowes Home Improvement Store for the following items for the sheriffs office.*
 - A. *Push Broom; this was purchased and is kept in my cruiser, it is used for cleaning up debris at wreck scenes, sweeping up areas at crime scenes, etc..*
 - B. *Markers; Used for marking evidence bags, used to write on papers, cardboard or other items at crime scenes etc. These permanent markers are kept in the trunk of my cruiser.*
 - C. *Carpet Adhesive, trowel, and plywood; these items were purchased when I had the Tahoe, I put a carpet covered level platform in the rear of the Tahoe. There where items that were put in the rear of the vehicle that had to be secured on a flat surface. A plastic container that held crime scene necessities along with brackets were screwed into this platform to hold tools. The Tahoe was the vehicle that was used as a crime scene evidence work station.*
 - D. *Lack of Supporting Documents; I am not 100% sure what this is in reference to, it only states an amount. I turned in receipts for meals that were purchased in 2014, during this audit I was told that some of the receipts didn't meet the requirements because there wasn't a breakdown of what was actually purchased. The secretary/clerk for the sheriff's office, hires the former clerk to come in and reviews and to make sure as a witness that the final settlement for that year is done correctly. She comes in yearly and does this, she is also paid for her service. I couldn't find a receipt for any of the times that she comes in. I know that she does and we write her a check each year.*

Auditor's Reply: As mentioned in the above comment, the Funk vs. Milliken criteria states that fee officials' disbursements of public funds will be allowed only if they are deemed necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. The following items do not meet this criteria for these reasons:

- Internet at the Sheriff's *personal* residence is considered *personal* in nature. Public funds should not be used for *personal* items; therefore, these disbursements were disallowed.
- Cable television service at the Sheriff's office, regardless of the package, was not considered necessary or beneficial to the public. Therefore, disbursements for cable service at the Sheriff's office have been disallowed. We recommend the Sheriff obtain a more efficient means of accessing training videos and weather updates.
- Routine maintenance items such as tires and oil changes on the Sheriff's *personal* vehicle are considered *personal* in nature. Public funds should not be used for *personal* items; therefore, these disbursements were disallowed.
- At the time of testing, our auditors inquired of the Sheriff as to the nature of the disbursement to Lowe's so that a determination could be made as to the validity and reasonableness of the items purchased. At that time, no explanation was given; therefore, these items were disallowed. It wasn't until the Sheriff responded to the above audit finding that he offered an explanation to purchasing these items. Regardless, the nature of many of the items still remain *personal* in nature due to the fact that they were used to make improvements to the Sheriff's *personal* vehicle. Public funds should not be used for *personal* items; therefore, these disbursements were disallowed.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-001 The Hickman County Sheriff Had \$2,456 Of Disallowed Disbursements From The 2014 Fee Account (Continued)

Auditor's Reply: (Continued)

- On August 15, 2015, the Hickman County Sheriff was given a list of disbursements totaling \$4,110 from his 2014 fee account for which supporting documentation was needed in order for our auditors to determine the validity and reasonableness of these disbursements. The Sheriff signed that list on the above date, agreeing that disbursements for any supporting documentation not provided would be disallowed. The Sheriff provided proper supporting documentation of \$2,753, leaving \$1,357 in disbursements without proper support. This amount was offset by a deposit of personal funds of the Sheriff in the amount of \$486, leaving the \$871 in unsupported disbursements. These unsupported disbursements included a mileage reimbursement payment to the Sheriff, a payment for contract labor, as well as charges on the office credit card.

2014-002 The Hickman County Sheriff Had \$2,577 In Questionable Disbursements From The 2014 Fee Account

The Sheriff had \$2,577 in disbursements from the 2014 fee account that we consider questionable. According to Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Because we could not determine if the following disbursements met the necessary criteria, we are questioning their validity:

- The Sheriff paid \$2,412 for cellular service on phones and/or devices that we could not determine were for employees' or official use. Because we could not determine if the amount paid was for the official use of the Sheriff's Office, we question the amount expended.
- The Sheriff paid \$165 for food without maintaining itemized receipts. Because we could not determine the nature of the items purchased, we question the amount expended.

Due to the reasons noted above, we are questioning these disbursements from the 2014 fee account. As a result, we recommend the Hickman County Fiscal Court review the questioned disbursements and make a determination if they are reasonable and allowable. If the Fiscal Court determines that such disbursements are not allowable, the Sheriff should be held personally responsible for them.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-002 The Hickman County Sheriff Had \$2,577 In Questionable Disbursements From The 2014 Fee Account (Continued)

Sheriff's Response:

\$2,577 in Disbursements:

- CELL PHONES: *During 2014 the sheriff's office was using both AT-T and Verizon. There were 10 emergency phones that were stored in the sheriff's office. We were billed on a monthly basis for each phone and if the phone was used it was charged for each minute used. There was a phone and number for the deputy, I had two phones/numbers, one with AT-T the other with Verizon. There is a tablet used strictly for Narcotics Investigations that has a number through AT-T. We have 3 Verizon Wireless WiFi hotspots in the cruisers, this is for the tablets that are in our cruisers that we use to write reports, write our citations etc. It is cheaper to replace a phone that gets broken, locked up or quits working by opening a new service than to purchase a phone outright, then you take your old phone number and put on the new phone. It will show that there would be numbers that don't use any data etc and this is the reason why. I have corrected this by keeping/doing the following...*
 - a. *Cancelled all the emergency phone numbers*
 - b. *Getting insurance for a monthly fee through the provider for the cell phone*
 - c. *Having the cell phones through one provider*
 - d. *Having only the wifi hotspots through Verizon Wireless (cheaper then AT-T and had better service)*
- 165\$ FOR FOOD: *I advised my auditor that I understand that, but that I don't drink alcohol and that these receipts were for food only. I brought in the receipt that was given to me at the restaurant. This will be corrected in the future by asking for all receipts to be itemized.*

2014-003 The Hickman County Sheriff Had \$674 Of Disallowed Expenditures From The Drug Fund

The Hickman County Sheriff had \$674 of disallowed disbursements from the Drug Fund for calendar year 2014. These disbursements were disallowed for the following reasons:

- Disbursements totaling \$625 for food, uniforms, and other various items were disallowed due to a lack of supporting documentation.
- Disbursements totaling \$49 to the Zombie Eradication Response Team (Z.E.R.T.) were disallowed due to their personal nature and lack of supporting documentation.

In Funk vs. Milliken, 317 S.W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Given the fact that these disbursements did not meet the necessary criteria, they have been disallowed.

Disallowed disbursements should be repaid with a deposit of personal funds, therefore, we recommend the Hickman County Sheriff repay \$674 from his personal funds to the Drug Fund.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-003 The Hickman County Sheriff Had \$674 Of Disallowed Expenditures From The Drug Fund
 (Continued)

Sheriff's Response:

Disallowed through the Drug Account/674\$

- **FOOD and UNIFORMS DISALLOWED:** *There was a couple of instances that I went to a store and pulled out the wrong debit card when paying for my purchase. I found the times when looking over the bank statements. I would tell my secretary what I had done and then I would reimburse that account. During 2014 there was an inmate that was being held in different counties for safety reasons. He had court at different times and on several occasions at different courthouses due to wherever the Circuit Judge was on that day. This inmate was the sheriffs' office responsibility to get him for court and he would have to be fed on those days. On some days the only way to pay for the food was on that drug account debit card. As far as the Uniforms, the receipt was coded wrong when taken off of the budget category. The purchase was made at BlueGrass Uniforms in Bowling Green Kentucky for a set of lights that each cruiser has. I purchased one set through the drug account since the lights could be used for Narcotics Investigations. Two other sets were purchased the same day but, was payed out of the fee account. To correct this, the debit card was cut up and any monies used to make narcotics buys will have to be withdrawn during the time that the bank is open.*

Auditor's Reply: As mentioned in the above comment, the Funk vs. Milliken criteria states that fee officials' disbursements of public funds will be allowed only if they are deemed necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. This criteria also applies to disbursements from the Sheriff's Drug Fund. Of the disbursements tested from the Sheriff's Drug Fund, \$815 did not have proper supporting documentation. This amount was offset by a deposit of personal funds of the Sheriff in the amount of \$141, leaving the \$674 in unsupported disbursements. These items would have been allowed had the Sheriff maintained proper supporting documentation, with the exception of the \$49 expenditure to the Zombie Eradication Response Team (Z.E.R.T.).

2014-004 The Hickman County Sheriff Overspent His Approved Budget

The Hickman County Sheriff's operating disbursements exceeded the budget approved by the Hickman County Fiscal Court. The Hickman County Fiscal Court approved the Sheriff's budget on a line item basis. Because the Sheriff failed to properly monitor his budget, he overspent on the following line items: County Car Mileage, Uniforms, Telephone, Maintenance and Repairs, Meals for Jurors, and Internet/Cable for a combined total of \$16,393.

The State Local Finance Officer requires the Fiscal Court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15th of each year. KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the State Local Finance Officer, who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe a system of uniform accounts for all counties and county officials.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-004 The Hickman County Sheriff Overspent His Approved Budget (Continued)

We recommend the Hickman County Sheriff monitor his budget throughout the year and request budget amendments as necessary from the Fiscal Court, prior to exceeding budgeted amounts.

Sheriff's Response:

Overspent 2014 Budget;

OVERBUDGET: according to my audit report I overspent my 2014 budget by \$16,393. Since our budget was a projection of what we thought the sheriffs [sic] office would spend in each fiscal year. I failed to go to the court and ask for amended budget for each line item that was going over. This has been corrected by doing the following; I have studied the process of how budgets work, from front to back. I now watch the budget not just oone [sic]time a year but at the minimum of 3 times a month. I noticed in 2015 that one line item was going to go over and I immediately went to the fiscal court and had that amended.

2014-005 The Hickman County Sheriff Failed To Maintain Adequate Accounting Records For The Drug Fund

The Sheriff does not maintain a receipts or disbursements ledger for the Drug Fund. The Sheriff also failed to maintain proper support for disbursements and court orders for receipts. During calendar year 2014, bank records revealed \$4,135 in cash withdrawals for drug buys that had limited supporting documentation. The Sheriff maintained this cash in a vault for use when needed; however, he failed to keep a ledger for these funds making it difficult for auditors to determine how the funds were used and if all of the money was accounted for.

In previous years, auditors have made recommendations to the Sheriff that he maintain adequate accounting records for the Drug Fund; however, he has continually failed to implement proper accounting procedures. Failure to maintain adequate documentation for the Drug Fund transactions increases the risk that funds could be misappropriated. Also, maintaining proper documentation over Drug Fund receipts and disbursements will ensure that forfeited funds are spent in accordance with the corresponding court orders.

As a result, we recommend the Sheriff maintain a receipts and disbursements ledger for forfeited funds. These ledgers should be reconciled to the bank statements monthly. We also recommend the Sheriff maintain proper supporting documentation on all receipts and disbursements. Failure to do so may result in future disbursements being disallowed.

HICKMAN COUNTY
 MARK GREEN, SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2014-005 The Hickman County Sheriff Failed To Maintain Adequate Accounting Records For The Drug Fund (Continued)

Sheriff's Response:

Drug Account: Records;

- RECORDS FOR DRUG ACCOUNT: Prior to 2014, auditors made suggestions to the sheriff reference [sic] to keeping better records for the transactions that were made with the monies out of the drug account. Since before January 1, 2014 I started using paperwork making sure I was the name w/signatures of the confidential informants, the name, address and any other information I could on the dealer/person we were dealing with. Along with this information, the amount of monies used both to make the transaction as well as pay the informant was on the documents. The only thing I was unable to provide to the auditors was a list of names of the persons paid for giving confidential information OR as we call it Crimne Stoppers Tips. That is given to persons that call and do not give a name or number, but are given cash monies for a tip that is found to be something that will lead to an arrest. I did provide a written letter notarized that stated how much monies was used for this matter. That letter was given to the auditors prior to the audit. At the time of this review I was told that it would be best if I had a receipt book. All court orders are given to the sheriffs [sic] office and put into the case file when we get the papers from the clerks. A ledger along with a copy of the clerks [sic] paperwork will be put in a separate file for future reference and audits.

2014-006 The Hickman County Sheriff Deputies Did Not Maintain Proper Documentation Of Hours Worked

The Sheriff did not maintain time records to document the actual hours worked by deputies. The Sheriff informed us that he did not require full-time salary employees to maintain the number of hours worked.

KRS 337.320(1)(b) states that every employer shall keep a record of the hours worked each day and each week, by each employee. These records should be signed by the employee and the supervisor to show agreement upon the number of hours worked each day.

Failure to keep a detailed record of the number of hours worked each day, by each employee, resulted in the Sheriff not being in compliance with KRS 337.320. Therefore, we recommend the Sheriff implement a daily attendance record that records actual hours worked by each employee each day that will then be signed by the employee as well as his or her supervisor.

Sheriff's Response:

Time Sheets:

- TIME SHEETS FOR EMPLOYEES: If I said no time sheets for Full time employees I didn't mean that. I was referring to the part-time employees re; Court Security Officers and Deputy McDaniels. Fulltime deputies Ben Natividad and Joye Workman actually have time sheets. To correct this, we have started doing time sheets on all employed by the Hickman County Sheriffs' Office.

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES:

2014-007 The Hickman County Sheriff's Office Lacks Adequate Segregation Of Duties

The Hickman County Sheriff's Office lacks adequate segregation of duties over the accounting and reporting functions. The bookkeeper is responsible for receiving cash from customers, daily checkout procedures, deposit preparation, posting to receipts and disbursements ledgers, preparing monthly bank reconciliations, and preparing quarterly reports.

A lack of segregation of duties or strong oversight increases the risk that errors could occur and not be detected. This condition is the result of a limited budget, which restricts the number of employees the Sheriff can hire or delegate duties to.

A proper segregation of duties over the accounting and reporting functions, or the implementation of compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

As a result, we recommend the Sheriff separate the duties involved in receiving cash, daily checkout procedures, deposit preparation, posting to receipts and disbursement ledgers, monthly bank reconciliations, and preparing quarterly reports. If, due to a limited budget, this is not feasible, cross-checking procedures should be implemented. These procedures should be documented by the individual performing the procedure.

Sheriff's Response:

Segregation of Duties:

- LACK OF SEGREGATION OF DUTIES: *it has been virtually impossible to avoid getting written up for this. I have started looking over every document, bank statement along with all tax payments. I not only look these papers/documents over but I also sign them. The deposits are checked by two people and then deposited by myself or Deputy McDaniels. I've been told that with the size of the sheriffs' office to avoid getting written up for this is very hard. We have already started implementing the above to help in this matter.*

2014-008 The Hickman County Sheriff Signed Blank Checks Prior To Purchases

We noted multiple blank checks that were pre-signed by the Sheriff in the Sheriff's checkbook. These pre-signed checks were incomplete as to the amount, date, purpose, and payee.

Having management sign checks and requiring dual signatures are two of the most important internal controls over disbursements. These controls ensure that management is aware of all money being disbursed by the office and that the official is checking for accuracy and ensuring that the disbursement is a legitimate obligation of the office.

HICKMAN COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES: (Continued)

2014-008 The Hickman County Sheriff Signed Blank Checks Prior To Purchases (Continued)

For the sake of convenience, the Sheriff signed blank checks for use when he was not in the office. By signing a check that had not been filled out, important controls were bypassed and the office's assets were left susceptible to misappropriation or abuse.

We recommend that the Sheriff allow these controls over disbursements to function as designed and eliminate the practice of signing checks in advance.

Sheriff's Response:

Signing of Blank Checks:

- **CHECK SIGNING:** *On a few occasions I have had to be out of town for training or other instances. Before leaving I knew that there were bills that needed to be paid so I would sign the number of checks so that they I, would have the necessary amount of signatures before bewing [sic] mailed out since training usually consists of a week or better. This has been corrected by adding other deputies to the banks signature card.*

2014-009 The Hickman County Sheriff Had Weak Controls Over His Signature Stamp

We noted that the bookkeeper has access to a stamp of the Sheriff's signature. The Sheriff obtained the signature stamp for use when he is not in the office and his official signature is needed. However, the Sheriff did not establish controls governing the use of this stamp, which could result in improper use and improper authorizations. While there is no legal prohibition to the use of a stamp by the Sheriff, he should maintain strong controls over its use. The official should authorize, in writing, the use of a signature stamp and expressly designate in this writing those persons authorized to use the stamp for official purposes in affixing the official's signature. Furthermore, there should be a log of authorized usage. By doing this, it will ensure that the Sheriff's signature is not being misused. We recommend that the Sheriff strengthen controls in regards to the use of his signature stamp.

Sheriff's Response:

Control over Signature Stamp:

- **SIGNATURE STAMP:** *There is a stamp in the sheriffs' [sic] office used to stamp training documents. Never has a check or document agreeing to or ordering anything been stamped. To correct this the stamp was put into my lock box in the safe. I am the only one with that key.*

HICKMAN COUNTY
MARK GREEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES: (Continued)

2014-010 The Hickman County Sheriff Had Weak Internal Controls Over Office Assets

The Hickman County Sheriff's Office purchased equipment for law enforcement purposes. This equipment included various electronic devices, including cellular phones, which are risky in nature and susceptible to misuse and misappropriation. Because of the risks associated with these types of assets, strong internal controls, such as a detailed inventory system, are essential in ensuring they are protected from misuse and theft. The Sheriff's failure to inventory office assets has put them at risk for such.

Without a way to track office assets, equipment could be stolen or used for unofficial purposes. Maintaining a listing is an important control that ensures all items are accounted for and are being used for their intended purpose.

In order to strengthen internal controls over the assets of the Sheriff's Office, we recommend the sheriff establish a detailed inventory system of all equipment purchases. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, purchase price, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of office assets should be updated throughout the year as new assets are acquired and old assets are retired. We also recommend the Sheriff conduct a physical inspection of the office's assets at the end of each year to make comparisons to the Sheriff's list of inventoried assets.

Sheriff's Response:

Strengthen Control Over Assets;

- STRENGTHEN CONTROL OVER THE OFFICE ASSETS: *before the 2014 audit all items that were numbered with the case number, name of the owner (if possible) then put into the safe or evidence room. Since being advised of this I have started getting together items that can be sold at auction or taken to KSP in Frankfort for the Vest Program. These items will be documented with what is done with them.*

Auditor's Reply: The above comment is not in reference to items being held by the Sheriff's office as evidence. These items are to be maintained according to federal and state laws. The above comment is in reference to assets purchased through the Sheriff's fee account and Drug Fund such as cellular phones and other electronic devices. Because of their risky nature, internal controls over these assets should be implemented by the Sheriff's office in order to reduce the risk of misuse or misappropriation. If implemented properly, the internal controls recommended in the above finding should reduce the risks associated with such assets.

